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Milking R Dairy

Memo

To: David McKay, Conservation Planning Team Leader—USDA-NRCS

From: Sutton Rucks, Milking R Dairy, Okeechobee, Florida

CC:

Date: 2/10/2004

Re: Conservation Security Program—Florida Listening Session

Points

1. Due to limited funds and the past emphasis on regulation in high priority basins such as the Okeechobee Drainage Basin, as a landowner who has been economically harmed by such regulation and who has participated in every state and Federal program to be offered that would assist me with environmental compliance, I urge the agency to direct the resources of CSP to those basins.

2. Projects at the advanced BMP level tend to carry greater environmental than individual farm benefits (meaning little positive impact on the bottom line) hence it should include operational and maintenance benefits.

3. The ranking criteria outlined in your first alternative on page 199 of the Federal Register will likely squeeze me out of applying leaving mostly ranchers in the program. You should be setting criteria to include greater environmental challenges such as intensive animal and crop operations.

4. Alternative 2 on page 200 is also going to keep some of your best prospects from applying for the same reason that I previously stated. I can say to my follow farmers in the room from hard experience that once you start down this road, the regulators and the environmental activists are not satisfied with less than a complete job. In spite of millions of expended dollars on dairies in this basin, we still face the strong possibility of being sued. That lesson has not been lost of farm owners who have not been forced to comply with mandated regulations and who justifiably are reluctant to expose themselves by some partial compliance plus farm income in the ranching and dairy business does not allow a lot of economic incentive to spend on non-return dollar items.

5. I like Alternative Approach number 5 on page 200. The Federal government, the State of Florida and the regional water authority in my area and my family have invested

over $ 5,000,000 since the late 80's in BMPs on my farm—much of it experimental. I do not believe previous non-program participants are going to come out anyway regardless of how you structure the program. I mentioned experimental. By that I mean that environmental controls were put on my farm and environmental experiments were tried to find out what worked best. Because the initial mandated BMPs were not accomplishing the Okeechobee Drainage Basin water quality goals, additional BMPs have been installed and even more advanced BMPs will be needed.

6. I support the NRCS Preferred Approach as presented beginning on page 197 of the Federal Register. In the third column on page 198 under paragraph 4—Prioritize Funding, the agency invites comment regarding "less" funds than priority categories might need in order to be fully met and funded. I suggest that you fully fund categories based on their environmental and resource "bang for the buck". To prorate funds to cover all the needs is to squeeze out farmers who will do a partial something with proper funding versus likely doing nothing with insufficient funding.

7. I hope my comments have been helpful. My comments are based on real world experience, not ivory tower thinking from some policy puff group working in an office in town who never had to make a payroll. I congratulate the agency and the Congress for the development of this much needed approach that will help me continue to produce food, stay solvent and protect the sensitive environment of South Florida. I urge you to listen to those of us that work the land, not so much to someone that just drives by the land.

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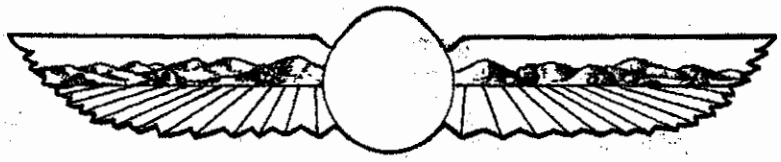

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2/4/04

Attn: CSP

David McKay,
Conservation Operations
NRCS, PO Box 2890
Washington, DC 20013-2890

I farm 82 acres of vegetables on the central coast of California. The NRSC is helping me design and implement soil saving strategies for my farm. Most of my crop land is on 2% slope and the winter storms can cause excessive runoff and erosion. The NRSC is helping install buffer strips, grassed waterways, sediment basins and drop inlets on one of my fields. More money and engineering is needed to finish these projects. Without the help of the NRCS, these projects will not get done and the precious top soil will get washed into the creek.

I urge NRCS to issue a revised proposed rule to bring the draft program implementation design in line with the requirements of the CSP section of the 2002 Farm Bill, and in line with the new law restoring the CSP's entitlement funding status.

sincerely,

Helmut Klauer

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Comments on the Proposed Rules for the Conservation Security Program as listed in the Federal Register January 2, 2004.

Submitted at NRCS Listening Session in Bemidji, MN on February 2, 2004 by

Patrick G. Welle, Ph.D.
Professor of Economics and Environmental Studies
Bemidji State University
Bemidji, Minnesota

Since 1999, I have been researching the theories and practices of multi-functional agriculture that underlie the Conservation Security Program. This on-going research has been funded by the USDA SARE Program and the Legislative Commission on MN Resources (LCMR). Portions of my research also received support from the Joyce Foundation.

In researching multi-functional agriculture, as it is referred to in Europe, I have been investigating the benefits that could accrue to the public from environmental improvements due to conservation practices. The framework for my research has been estimating the economic value of non-market public goods accruing to Minnesota households due to environmental improvements resulting from conservation practices that could be encouraged through CSP. I continue to investigate the potential for delivering these public goods by examining the economic incentives built into CSP and the magnitude of payments necessary to motivate an optimal rate of participation in CSP so as to achieve an efficient level of provision of these public goods.

The first phase of my research from 1999 through 2001 was part of the Multiple Benefits From Agriculture Project, coordinated by the Minnesota-based Land Stewardship Project, and funded by the sources noted above. Under this project, I conducted a contingent valuation study of a sample of Minnesota households to determine willingness to pay for the environmental improvements that could result from a program such as CSP. We defined these improvements as multiple benefits of agriculture, categorized similarly to what are now termed "resources of concern." I attach the Executive Summary from this study to the end of these comments. The full report is also available electronically as noted below.

To sum up the findings, Minnesota citizens indicated a great deal of interest in this kind of conservation program on working lands through their willingness to participate in the study and in the levels of willingness to pay stated in their responses. While the responses in the sample exhibits diversity in citizens' attitudes on payments to farmers and on the public goods values attached to these environmental benefits, the average willingness to pay was substantial. Using more cautious assumptions and lower estimates yielded in mail responses, the average willingness to pay per household per year for these benefits in roughly $200. Aggregated to the entire number of households in the Minnesota population, this yields annual economic benefits of roughly $400 million.

Based on these results and other findings in the literature, a compelling case can be made for the economic efficiency of CSP as it was passed in the 2002 Farm Bill. That is to say that the research indicates the strong potential for CSP to yield large net benefits to society by rewarding environmental improvements that the public values significantly. These net benefits come from the improved resources of concern and the incentives provided to continue beneficial practices already in place and to motivate new conservation practices. CSP as passed by Congress is structured in a way that should be appealing to most economists in that the rewards go to decision makers who are currently generating these benefits. Most economists see this type of incentive structure as much more efficient than those designed to simply reward "bad actors" for changing their destructive ways. Parallel to this efficient design of incentives is the provision for enhanced or bonus payments for exceptional performance in addressing the resources of concern. Higher net benefits from public payments are likely to be yielded due to more favorable outcomes from enhanced incentives based on actual performance rather than employing identified practices. Rewarding the best practitioners is a sound economic principle. This approach has the added advantage of encouraging innovation by those who are closest to the land and in the best position to develop creative practices for improving the resource of concern.

Given the significant potential of CSP to provide substantial net benefits to American citizens and given the promise it holds for rural communities, I want to encourage revisions to the proposed rules that allow CSP to reach its full potential. Given the full funding for CSP now approved by Congress, I urge USDA to issue a supplement to the rule that is in accordance with Congressional intent and without geographical restrictions (such as selected watersheds.) Under the proposed rules the small percentage of cost-sharing or rental rates that would be funded will result in a drastic under-allocation of resources to the conservation measures that should be encouraged. Any of the shortcomings in the proposed rules: (1) Severe lack of funding, (2) restrictions to selected watersheds and (3) undue hardships in meeting eligibility standards could, individually or in combination, cripple CSP effectiveness. In addition, the payments for the benefits currently being generated by the "conservation farmers" should be increased from the extremely low levels provided in the USDA's proposed rules. The potential benefits to the American public from this program are too great to shortchange it in the fashion implied in the proposed rules. Please revise the rules to be consistent with Congressional intent and to utilize the full funding provided so that this program can reach its potential.

Multiple Benefits from Agriculture: A Survey of Public Values in Minnesota

This study was conducted on behalf of the
The Legislative Commission on Minnesota Resources, USDA SARE and the Joyce Foundation. A full copy of this report is available electronically at:

http://www.landstewardshipproject.org/mba/contingent_valuation_report%20.PDF

Executive Summary

The State of Minnesota provides financial incentives to farmers for agricultural practices that yield multiple benefits to the environment. In the future it may develop new policies for such purposes. These multiple benefits include soil conservation and promotion of healthy soil, protection of ground water and surface water, floodwater retention, provision of bird and wildlife habitat, and trapping of potential greenhouse gases. Agricultural practices that yield these environmental benefits translate into economic and social benefits as well. The estimation of the economic value of these non-market environmental benefits is the objective of this study.

Many of the economic benefits of improved environmental quality are not reflected in market-based transactions. Therefore, no market mechanism exists for people to reveal their willingness to pay for these kinds of improvements in environmental quality. In this case, estimating the total economic value of improvements in environmental goods and services requires a method that utilizes non-price (non-market) data. A stated-preference estimation technique known as contingent valuation is employed.

Contingent valuation employs a survey that describes the prospective policy and its effects. The survey also indicates to the respondent how much adoption of the policy would cost their household in terms of higher taxes and higher prices for goods and services. Citizens' willingness to pay for the benefits of the policy are elicited from their responses on how they would vote in a referendum on this policy, given its effects and financial consequences. A statistical valuation function enables estimation of mean household willingness to pay.

For this study a mail survey was sent to a randomly selected sample of Minnesota households. Screening of an initial sample of 1,000 to exclude businesses, deceased, non-residents, and those without a valid mailing address yielded 834 potential respondents. Three hundred ninety four booklets were completed and returned, yielding an effective response rate of 47.2 percent. Also personal interviews were conducted in the two watersheds that were studied intensively in the other components of this project. Sixty four personal interviews were conducted in the Wells Creek Watershed and sixty one were completed in the Chippewa River Watershed for a total of 125 additional responses from Minnesota citizens.

This study evaluated the benefits that respondents derived from two different levels of multiple benefits. This study devoted most of its attention to a "baseline" policy scenario yielding a 50% reduction in most environmental impacts from agriculture. This was the level described in the interviews and half of the mail surveys, with the other half of the mail surveys describing a 10% level of reductions in environmental impacts.

For the baseline policy scenario, the mail survey resulted in an estimated annual household willingness to pay of $201. The personal interview results show a much higher willingness to pay of $394, possibly indicating "yea-saying" behavior from the personal nature of the interview procedure. It is consistent with the literature that personal interviews lead to higher estimates than responses to mail surveys.

Using the more conservative mail-survey estimate, a state-wide willingness to pay can be computed by multiplying the per-household figure ($201) by the number of households (1.8 million in 1999) to yield an annual state willingness to pay of $362 million. Given a state population of 4.75 million (1999 estimate) this translates into a figure of approximately $76.21 per person annually or $0.21 per person per day.